



Trade Facts

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The U.S.-Chile Free Trade Agreement: An Early Record of Success

After thirteen years of bilateral conversations and two of negotiations, the U.S. – Chile Free Trade Agreement entered into force on January 1, 2004. On that date, tariffs on 90% of U.S. exports to Chile and 95% of Chilean exports to the United States were eliminated. Chile is currently ranked as the 36th largest export market for the United States.

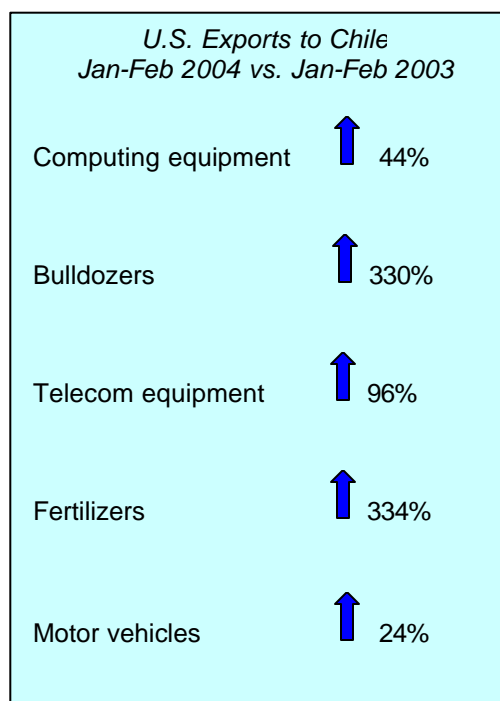
U.S. Exports to Chile

- In the three months following the entry into force of the U.S.-Chile Free Trade Agreement, total U.S. exports to Chile increased by 24 percent compared to the same period of 2003, growing from \$617.29 million to \$766.79 million. This compares favorably to an increase of 13 percent in U.S. exports to the world in the first quarter of 2004.
- U.S. exports of manufactured goods to Chile increased by 19.5 percent January/March 2004, from \$570.9 million to \$682.3 million. Particularly strong growth was registered in exports of construction equipment¹, medical equipment, and paper.
- Exports of U.S. agricultural goods grew 22.6 percent from \$22.66 million to \$27.77 million.

U.S. Export Success Stories

The top goods highlighted below became duty-free immediately under the FTA, with the exception of petroleum oils, for which the tariff rate dropped from 6 percent to 1.2 percent upon entry into force.

- **Automatic data processing machines:** Exports reached \$52.7 million in the first quarter of 2004, a 44 percent increase or an increase of \$16.1 million over Jan-March 2003.
- **Self-propelled bulldozers, angledozer, graders, levelers, scrapers:** Exports reached \$33.8 million in the first quarter of 2004, a 330 percent increase or an increase of nearly \$26 million over January-March 2003.
- **Petroleum oils and oils obtained from bituminous minerals, other than crude:** Exports reached \$27 million in the first quarter of 2004, a 282 percent increase or an increase of \$20 million over January-March 2003.
- **Transmission apparatus for radiotelephony, radiotelegraphy, radio broadcasting or television; television cameras; still image video**



¹ Construction equipment, medical equipment and paper product groupings are based on definitions determined during the Uruguay Round of WTO negotiations.

cameras; digital cameras: Exports reached \$25.7 million in the first quarter of 2004, a 96 percent increase or an increase of \$12.5 million over January-March 2003.

- **Other moving, grading, leveling, scraping, excavating, tamping, compacting, extracting or boring machinery:** Exports reached \$19.3 million in the first quarter of 2004, a 934 percent increase or an increase of over \$17 million over January-March 2003.
- **Fertilizers:** Exports reached \$15.9 million in the first quarter of 2004, a 360 percent increase or an increase of \$12.4 million over the first quarter of 2003.
- **Molybdenum ores and concentrates:** Exports reached \$12.3 million in the first quarter of 2004, an impressive increase from only \$78,059 in exports in the first quarter of 2003.
- **Motor vehicles for the transport of goods:** Exports reached \$12 million in the first quarter of 2004, a 24 percent increase or an increase of \$2.3 million over the first quarter of 2003.
 - *The U.S. – Chile FTA included agreement to eliminate Chile's 85 percent luxury tax on imported automobiles valued at more than \$15,835 by one-fourth annually over a 4-year period. The tax dropped from 85 percent to 63.75 percent and the value increased to \$18,335 on January 1, 2004. DaimlerChrysler reported that since the implementation of the FTA, auto sales have increased by 50% due to tariff reductions and a decrease in the auto luxury tax.*

Chile's Exports to the United States

- According to the Central Bank of Chile, during the first quarter of this year Chilean exports to the U.S. grew 12.1%, to a total of US\$1.17 billion. During this period, 10.4% of Chilean exports were industrial products, 39.6% natural resources and 50% processed goods based on natural resources. Chilean exports of raw materials and other goods used by U.S. businesses to manufacture higher-value products have increased.
- The U.S. is one of the most diversified markets for Chilean exports. Among the increased exports to the U.S. market:
 - Copper cathodes and sections of cathodes (\$94 million);
 - Unrefined copper, copper anodes for electrolytic refining (\$24 million);
 - Oil for fuel testing to under 25 degrees A.P.I (\$35,48 million);
 - Cranberries, blueberries and other fruits (\$24 million);
 - Other molybdenum ores and concentrates, not roasted (\$10 million);

Win/Win Success Stories

- **Sun Pacific Shippers Sales:** With the FTA, Sun Pacific Shippers Sales of Los Angeles, California, and leading Chilean fruit exporter Subsole Exportadora de Frutas, found it attractive to export California-grown citrus to meet market demand during Chile's off-season, as the FTA immediately reduced Chilean duties on products such as clementines from six percent to zero. After discussions with Sun Pacific, Subsole agreed to import California-grown clementines as a test case for the Chilean market. The idea was a success; with the assistance of the U.S. Foreign Commercial Service in Santiago, \$42,000 of Sun Pacific's "California Cuties" reached Chilean supermarkets in March, and the companies have since met to discuss future opportunities.
- **IMPEX:** IMPEX was among the first Kentucky exporters to benefit from the new trade agreement with Chile. IMPEX, located in rural Paducah, Kentucky, is an export management company that markets conveyor systems and environmental technologies for U.S. manufacturers. The Chilean mining sector uses the products marketed by IMPEX to complete maintenance and improvement projects. IMPEX products became duty-free immediately under the agreement, which enabled it to increase sales in what was already a good market. Chilean mining companies have access to U.S. technology at a better price, and a U.S. firm is more competitive in an important market.

